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3 October 1951

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Soviet airfields in East Germany improved: The improvement of the Puetnitz, Werneuchen, Briesen, Welzow and Merseburg airfields in East Germany has been virtually completed and they are now ready for use. The occupation of these airfields may possibly be connected with the large-scale air force and army maneuvers which are expected to take place in October.

When the airfields are completed, a total of 25 airfields with runways longer than 6000 feet will be available in the Soviet zone of Germany.

[REDACTED]

Comment: The completion of these airfields has been expected at this time. Therefore, it is not necessarily coincident with the army maneuvers, and does not represent a sudden build-up of Soviet capabilities in the area.

[REDACTED]

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4. High-ranking Soviet officials attend Chinese Reception in Moscow: On the Second Anniversary of the Chinese People's Republic, the Chinese Ambassador to Moscow, Mr. Chang Wen-tien, held a reception which was attended by Politburo members Marshal N. A. Bulganin and A. N. Kosygin, Deputy Chairman of Council of Ministers M. G. Pervukhin, and various officials including A. Y. Vishensky, the Minister of Foreign Affairs, and the Ministers of Finance and Foreign Trade. [REDACTED]

Comment: In 1950, no Politburo members were reported in attendance at the first Chinese anniversary reception in Moscow. At the celebration this year, however, the presence of two Politburo members as well as other distinguished Soviet officials may well reflect the importance Moscow now attaches to the Sino-Soviet alliance. This was also evidenced by Stalin's anniversary greeting to Mao, which, in contrast to the terse message sent in 1950, emphasized the consolidation of Sino-Soviet friendship.

25X1

5. USSR-GDR trade agreement signed: On 27 September a trade agreement was signed between the USSR and the German Democratic Republic providing for reciprocal deliveries of an unspecified volume of goods between 1951 and 1955. It calls for the exchange of East German heavy machines and industrial equipment for Soviet raw materials and semi-processed goods. At the same time the two governments concluded an agreement on scientific-technical cooperation. [REDACTED]

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Comment: These agreements follow the pattern already set for East Germany's relations with the USSR and the Satellites.

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25X1 29 September. [REDACTED]

25X1 Comment: In early September it was reported that Czechoslovakia had bid for 700,000 tons of Iranian oil, and a subsequent report stated that the condition for the purchase was that the Iranian Government allow Czech technicians to supervise execution of the agreement at Abadan [REDACTED]

25X1 [REDACTED] Last week there were several reports concerning commercial negotiations between Iran and Soviet bloc countries.

- 25X1 8. HUNGARY. New bond drive underway: The second "Peace Loan" in Hungary was launched on 27 September, accompanied by widespread publicity and intensive appeals to factory, office and farm workers. The goal of one billion forints is one-third higher than last year's target. [REDACTED] 25X1

Comment: The concentration on capital goods and export production at the expense of consumers' goods necessitates some such means of absorbing excess purchasing power. The 1950 bond drive was reportedly over-subscribed by about one-third, which may be the reason this year's goal was raised.

- 25X1 9. Army Day Celebration inconsequential: Hungary's first Army Day celebration on 29 September was noted for the lack of high-ranking officials in the foreign delegations, the absence of Soviet Army representatives, and the dearth of references to Western imperialists in the speeches. [REDACTED] 25X1

25X1 Comment: Widespread advance publicity emphasized the sports aspect of the Hungarian Army's training. The foreign delegations, which arrived several days before the celebration in order to participate in the sports demonstrations, consisted mainly of sports and cultural groups. [REDACTED] 25X1

10. POLAND. Press castigates production failures: According to Poland's leading Communist newspaper, production has decreased during July and August as compared to the two percent overfulfillment achieved during the first half of 1951. The paper blames the failures on slackening economic leadership by management, party committees and workers' councils. It warns that industrial establishments which have failed to meet quotas must make up the lost ground by admitting their errors and removing the management personnel responsible. Other newspaper articles indicate that production has fallen off in the building, mining, and transport industries, and that recruiting teams are scouring rural areas for miners.

The US Embassy in Warsaw comments that general discontent, the long food shortage and the low standard of living are the reasons for this first

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real let down by Poland's workers. The embassy suggests that these newspaper articles are designed to distract public attention from the real causes and to provide scapegoats for the production failures. [REDACTED]

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25X1 [REDACTED]

Comment: Despite many personal hardships during recent years most Poles have done their best to help carry out the industrial tasks set by the State, feeling that it was for the greater good of Poland and therefore worth the sacrifices involved. It seems possible that growing popular discontent is now manifesting itself as the people become more and more disillusioned with the fact that their sacrifices have not improved their standard of living. If this is the case, it represents a significant change in the attitude of the Polish people -- particularly the industrial workers -- and may result in more serious production failures.

- 25X1
11. YUGOSLAVIA. Yugoslavia votes against Security Council hearing of British-Iranian oil dispute: Despite Yugoslav and Soviet objections, the Security Council voted to take up the British-Iranian oil dispute. Yugoslavia supported the Iranian claim that the Security Council had no competence in the dispute. [REDACTED]

Comment: The Yugoslav Government has consistently sought to champion the sovereignty of independent states and specifically the Asian peoples. A Yugoslav Foreign Office official told Ambassador Allen in Belgrade on 30 September that he was definitely unsympathetic to the British decision to refer the oil dispute to the Security Council because he felt that the action will invite the united opposition of Asian countries

- 25X1
12. Yugoslavia may support UN military plan with reservations: The Yugoslav UN delegate has received instructions which may make it possible for Yugoslavia to support, with reservations, a UN report proposing the establishment of a UN agency to direct UN military operations in the event of future aggressions. In discussing the subject with Ambassador Allen in Belgrade, Assistant Foreign Minister Vilfan could not promise what Yugoslavia's future course of action might be until he had discussed the subject further with Foreign Minister Kardelj, but he indicated hope that Yugoslavia would neither oppose the report nor abstain. [REDACTED]

Comment: Yugoslavia has sought to amend the report so that Yugoslavia, if it were the victim of aggression, would be empowered to appoint the UN Commander of all UN troops on its territory. [REDACTED]

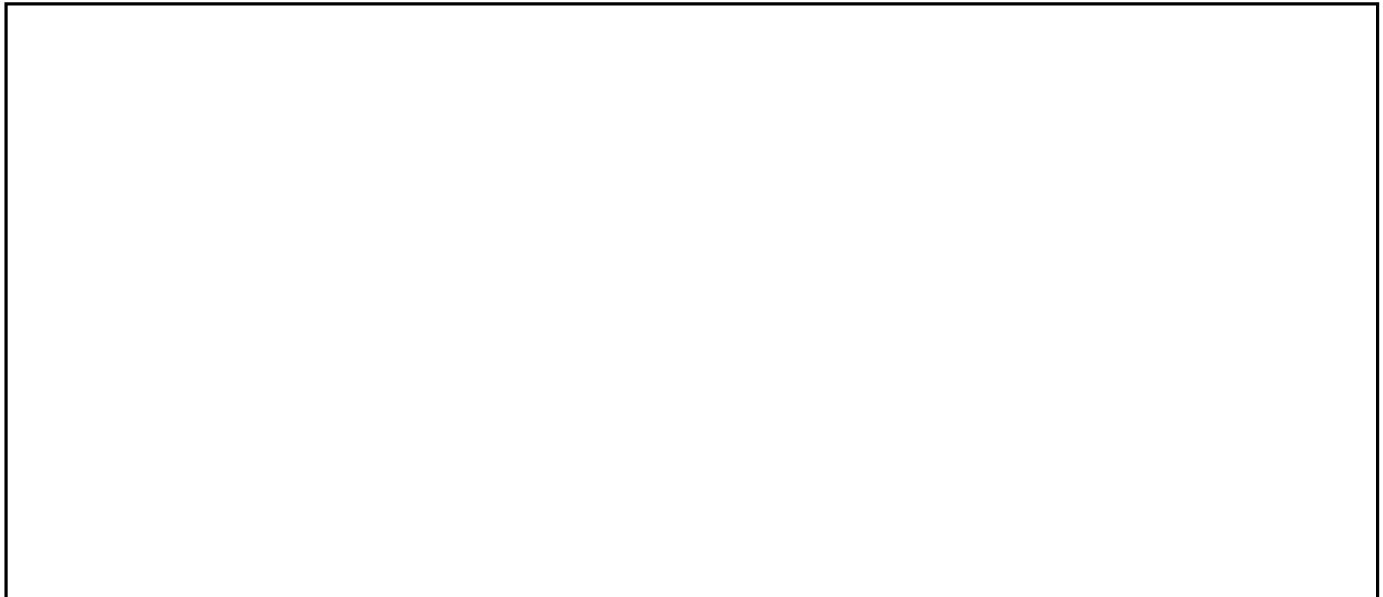
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SECTION 2 (EASTERN)



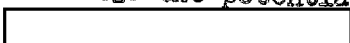
2. NEPAL. Cabinet crisis threatened: A crisis is brewing in Nepal, according to the Nepalese Ambassador to India, as Nepalese Congress Party members of the cabinet have threatened to resign if the Rana members (of the family of hereditary Prime Ministers) are not ousted. The Ambassador further said that the King might accept their resignations, provided the Government of India approved. Relations between the King and the Ranas had improved greatly in recent months, whereas the contrary was true of relations between the King and the Nepalese Congress, which had been active in restoring him to power.

Later, the Ambassador reported that Prime Minister Nehru of India disapproved of any shift in the Cabinet at this time because of its disturbing effect in Nepal.



Comment: Congress Party members of the Nepalese Cabinet may withdraw their threat to resign in the face of Nehru's disapproval. The maintenance of peaceful conditions in Nepal is of importance to India in preserving the peace and security of its northern frontiers.

3. INDONESIA. New defections from SOBSI: New defections from SOBSI, Communist-dominated labor federation, indicate that an increasing number of workers are dissatisfied with its emphasis on political considerations. However, the lack of unity among non-Communist workers and the failure of non-SOBSI unions to employ aggressive tactics minimize the potential advantages of this situation.



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Comment: With only a few exceptions, non-Communist labor leaders are inexperienced and incapable of dealing effectively with management. Non-SOBSI labor federations, formed to counter Communist influence, have been unaggressive, and probably will gradually lapse into inactivity.

4. Sultan of Jogjakarta present at security conference: The Sultan of Jogjakarta attended a security staff conference held late in September in Jogjakarta, according to an Indonesian news dispatch. Conference officials explained that the Sultan was requested to attend because of his wide experience in that field. However, persons close to the Sultan stated that he "did not say much" during the conference and that he would never accept a post in the security field as long as the government fails to approve his program for coping with present disorders. [REDACTED]

25X1

Comment: The Sultan of Jogjakarta is one of the most popular and competent political figures in Indonesia. The government is believed to have been trying to obtain his services for some months in a capacity affecting security. During his previous tenure as Minister of Defense and later as Director of Internal Security, his plans were obstructed by political considerations. He is not likely to accept another assignment in which he would face a similar situation or to serve again with a relatively unstable cabinet.

5. BURMA. Chinese Communist Embassy promotes 1 October celebration: The Chinese Communist Embassy in Rangoon has directed all local Chinese schools and businesses to close for two days in observation of the founding of the Peiping regime. The US Embassy reports that this order is certain to be ignored by pro-Nationalist groups, and warns of the possibility of factional strife. [REDACTED]

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Comment: No reports have been received of disturbances in Rangoon's Chinese community on 1 October. The assumption of control over the Rangoon Chinese by the Chinese Communist Embassy is deeply resented by Burmese authorities.

6. BWPP activities reported: The Burma Workers and Peasants Party continues to do yeoman service for the Communist cause in Burma. The BWPP-controlled "Committee for the Protection of Democratic Rights," which is used to attack the government's detention of political figures, is reportedly becoming increasingly effective and has opened a branch office in the important town of Pegu, northeast of Rangoon. The party is also planning three days of mass meetings in Rangoon to protest vigorous government action against its subversive activities in northern

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Burma. In addition, Thakin Win, a prominent member of the BWPP who is currently in Peiping, has been nominated to lead a four-man delegation to the Vienna World Peace Congress. [REDACTED]

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7.

Defense Minister frankly pessimistic before Parliament:

Speaking in support of the defense budget in Parliament, the Burmese Defense Minister stated that the insurrection was far from ended and would be difficult to suppress. He declared that the insurgents had combined forces and now planned to overthrow the government within two years through a combination of covert and overt operations. The US Embassy in Rangoon points out that the Defense Minister's outline of Communist tactics is identical with that set forth last March by Thakin Than Tun, chief of the Burma Communist Party, and that his observations contrast sharply with the usual complacency of government spokesmen. [REDACTED]

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Comment: Although the Defense Minister has always tended more toward realism than his colleagues, this statement is the most pessimistic uttered by a high Burmese official since the dark days of 1948. While his speech in Parliament may indicate the Burmese Government's growing awareness of the Communist threat, Burmese authorities are still loath to associate the Chinese with the Burmese Communist movement, and thereby continue to overlook the most serious aspect of the resurging Communist effort in Burma.

8.

Communists emphasize Asian solidarity: The Chinese Communist press in Rangoon has seized upon the exchange of cultural missions between Burma and China to expound on the theme of Chinese-Indian-Burmese solidarity. This line has been echoed by a BWPP spokesman, who declared that the aim of the Burmese delegation to Peiping is to strengthen Sino-Burmese relations in order to "defend world peace together." [REDACTED]

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9.

Karens requisition mineral concentrates: The agents for the Mawchi Mines, one of the largest tin-wolfram mines in the world, have reported that Karen insurgents have requisitioned the stocks of concentrates at the mine. The US Embassy in Rangoon states that there were relatively large stocks on hand, but that the Karens had previously not disturbed them. The Embassy interprets this action as an act of desperation on the part of Karens. [REDACTED]

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Comment: The Karens have been increasingly hard-pressed. These concentrates can readily be smuggled to Thailand and converted into cash for arms, medicines and other supplies.

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10. Burmese concerned over tire shipments to China: According to the Burmese Foreign Minister, his government is determined to stop the smuggling of tires to China, but he pointed out to the US Embassy the political difficulty of prohibiting transshipments when no Burmese exchange is involved and the transaction is negotiated outside Burma. He considers it preferable for the country of origin to prevent shipment of tires to Burma which are not for Burmese consumption. [REDACTED]

Comment: The Foreign Minister's observations again demonstrate the dilemma posed by Burma's desire to cooperate with the West without antagonizing Communist China.



12. CHINA. Communists attack US naval patrol plane off Shantung: On 29 September a US naval patrol plane was intercepted by four unidentified aircraft which came within one-half mile before breaking off. On 30 September, another patrol plane received light antiaircraft fire from two unidentified vessels reported as destroyers. These incidents occurred in the Yellow Sea more than 25 miles from the Shantung coast. [REDACTED]

Comment: These incidents indicate the increasing Chinese Communist capability to detect US air patrols which approach the coast of North China. However, Communist interference with US air patrols in the Yellow Sea is not yet determined or effective.

13. Yugoslav views on Communist China reported: The Yugoslav Foreign Minister is quoted as stating recently that US policy toward Communist China is "too inflexible." The Yugoslav official reportedly believes that the US

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takes Peiping's statements "too seriously" and makes no attempt to "win the Chinese over." He also regards the US as not sufficiently "aware" that Peiping is ready to "come to terms on all problems" and "to leave the Russian fold." [REDACTED]

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Comment: There is not the slightest evidence that the Peiping regime is prepared or wishes to leave the Soviet Orbit. The estimates of Yugoslav officials regarding Communist China have long been corrupted by wishful thinking, and predictions based on those estimates have consistently been wrong. There have recently been indications, however, that Yugoslav leaders are taking a less optimistic view.

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15. JAPAN. Peace and security treaties to be presented for Diet approval: The Japanese Government expects that both the peace treaty and the US-Japan Security Treaty will be approved by the Diet no later than 15 November. The government feels that the necessary majority for approval of each House can be mustered at any time, but it plans to give an opportunity for free discussion in order to avoid charges of steamrolling. The security treaty and

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the proposed administrative agreement are expected to provoke considerable attack, principally by leftist elements. [REDACTED]

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Comment: The Liberal's clear majority assures early approval of both treaties in the Lower House. The security treaty could be blocked in the Upper House only if some of the Democrats and Conservative independents joined with the Socialists in opposition; in this unlikely event, however, the decision of the Lower House would prevail if agreement of the combined Houses could not be reached within 30 days.

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SECTION 3 (WESTERN)

1. FRANCE. Machine tool shortages jeopardize French military production plans: French officials have warned the ECA Mission in Paris that their defense production program must be "heavily revised," with realization of their goals months later than planned, unless many machine tools are received much closer to the promised delivery dates. Although French officials have been reluctant to identify the most critical items until the whole problem is settled at the political level, it appears that some machines critically needed this year are now scheduled for delivery two years later.

The Mutual Defense Assistance Program group in Paris considers the matter serious from the production point of view as well as because it "may soon have important repercussions" on political considerations and morale within the French Government. Despite the unsatisfied and urgent needs for machine tools in the US and other NATO countries, the ECA Mission advises that the situation "definitely calls for emergency measures." [REDACTED]

Comment: In mid-September the Paris press reported that the French Government had just decided for financial reasons on a sweeping revision of defense production plans, whereby greater reliance would be placed on other NATO nations for heavy equipment. No other reports have been received indicating that additional drastic changes in production plans might have to be made should the serious machine tool shortages continue. The French apparently still hope to fulfill their basic commitment of equipping 20 divisions for the defense of Europe by the end of 1953.

2. AUSTRIA. Socialists threaten new wage demands: Socialist Minister of Social Administration Maisel in a speech last week strongly criticized "irresponsible" increases in Austrian prices; he warned that unless price rises are halted and roll-backs initiated where world prices are declining, wage adjustments will be required.

US officials believe that the minister's statement may represent a new effort of Socialist elements to protect workers' living standards in the face of threatening inflation, reduction in foreign aid, and impending coal shortages. They suggest, however, that the wage question may have been raised to anticipate similar demands expected from the Communists at the Trade Union Federation Convention now going on in Vienna. [REDACTED]

Comment: Price increases since the fifth wage-price agreement last July, coupled with new wage demands, may make the negotiation of another new agreement necessary. Such an agreement might be particularly difficult to

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negotiate at this time because of the pressure of extreme Communist demands on the Socialists, and because of renewed disagreement within the coalition government.

3. Soviet Oil Administration seeks market for surplus protection:
The Soviet Oil Administration in Eastern Austria has initiated an advertising campaign urging Austrian industries to convert from coal to fuel oil. Conversion is rendered attractive by the assertion that fuel oil will be 25 percent cheaper than coal. Reports that the Soviet Oil Administration has urged commercial firms and purchasing agencies to export Austrian oil to Western Germany, the UK, and Switzerland confirm the belief that ample oil supplies are available. Soviet inability to absorb the increased production in the Zistersdorf fields is attributed to shortage of carriers and refining and storage facilities. [REDACTED]

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Comment: Previous reports have indicated that present production of oil in the Soviet-controlled fields exceeds Soviet capacity to utilize it. The Austrians have charged that this production is achieved by wasteful means and that much of the oil produced is lost by improper storage. The Soviet press campaign urging wider use of cheaper oil is timed to coincide with Austria's coal crisis -- which the Communists have charged is due to Austria's pro-Western foreign trade policies.

4. SWITZERLAND. Swiss banks to stop credit for East-West strategic trade transactions: The Swiss Government has announced that Swiss banking houses will in the future refuse credit for transactions involving the re-export of strategic materials to the Soviet bloc. This announcement indicates that the Swiss banks voluntarily agreed to impose the ban after consultation with the Federal authorities. The purpose of this new step was explained by the statement that "Switzerland must not become the scene of business transactions damaging to our national interests." [REDACTED]

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Comment: The major banks in Switzerland have been following this policy as a result of US action against one Swiss bank some time ago. To date, however, transit shipments continue to be financed through Switzerland. Such business has been taken up by the smaller banks in Switzerland who have less to fear from US reprisals.

In the matter of export controls, however, the Swiss have lately demonstrated a much more cooperative attitude. They are also giving critical Western defense orders in Switzerland priority over their own requirements.

5. ARGENTINA. Congress authorizes Peron to "readjust" armed forces roster: Congress has passed a law authorizing Peron to "readjust" the roster of all

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the armed forces. He can now promote, regardless of length of service, demote, or retire any active or retired member of the armed forces. This power is to be exercised through special classification boards set up in each of the armed services. All laws inconsistent with the new law are annulled. This law presumably gives Peron complete control over the personal status of each individual officer for the next 180 days. [REDACTED]

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6. PANAMA. Political coalition is formed: Twenty-three to twenty-five deputies have formed a bloc to cooperate with the administration and to support the nomination of Jose A. Remon for president. The coalition is said to include six political parties. Three other parties are committed to cooperate with the administration so long as they are represented in the cabinet. [REDACTED]

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Comment: President Arosemena's position is strengthened by the formation of the coalition, which provides him with a congressional majority. Further shifts in political alliances may be expected, however, before the presidential election next May.

[REDACTED] Police Chief Remon has been one of the key factors in Panama politics for many years. The public avowal of support for his candidacy will enable the various political factions to assess his drawing power before a definitive nomination by any one party is made.

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SECTION 2 (EASTERN)

1. INDONESIA. Indonesian ratification of Japanese Peace Treaty will await bilateral negotiations with Japan: The Indonesian Foreign Minister has told the US Ambassador that his government will negotiate bilateral agreements with Japan on reparations and fisheries before it seeks parliamentary ratification of the general peace treaty. This procedure was necessitated when a National Party cabinet member reportedly assured the Prime Minister that his party would vote for ratification if favorable bilateral treaties were negotiated with Japan and submitted to Parliament simultaneously with the San Francisco treaty. [REDACTED]

Comment: The vote of the National Party, which is a major component of the coalition government, will determine the ratification issue. The party has reversed its stand on the treaty once before; now, although perhaps willing to accept the treaty, it must press for apparent government concessions to justify a second change of position.

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